

# SUPPLEMENTAL

COUNCIL AGENDA: 6/3/08  
ITEM: 6.2



## Memorandum

**TO:** Honorable Mayor and Council

**FROM:** William F. Sherry A.A.E  
Scott P. Johnson, Director of  
Finance

**SUBJECT:** Airport Food &  
Beverage and Retail Concession  
Program: Questions and Answers

**DATE:** May 29, 2008

Approved

Date

5/29/08

### REASON FOR SUPPLEMENTAL MEMO

On May 7, 2008, the City received a letter from Pacific Gateway Concessions (PGC) appealing staff's denial of PGC's protest (see Attachment A of staff's supplemental memo of May 28, 2008). The PGC appeal raises substantially the same issues as those in its April 16, 2008 protest that were addressed by the Chief Purchasing Officer in his April 28, 2008 response. Staff responded to PGC's appeal (see staff's supplemental memo of May 28, 2008). The City Council will consider PGC's appeal in the context of the award recommendation for the Food & Beverage, and Retail Concessions on June 3, 2008.

While staff has prepared a supplemental memo addressing the primary concerns in PGC's appeal, staff provides the following questions and responses as additional issues, perspectives and/or details to the issues/allegations contained in PGC's appeal letter:

#### **1. What is staff's response to PGC's charge that the RFP process was "corrupt"?**

Staff could not disagree more with PGC's assertion that the RFP process was "corrupt." This is a very strong accusation that the City's integrity, principles, and policies were somehow degraded or abandoned. Not only is this charge completely unwarranted, the City's process has been a model of fairness, transparency, and integrity to achieve the best possible results for the community through open competition.

From the standpoint of process, as noted in staff's May 28 response, the process was structured and guided by four City departments (the Airport, the Department of Finance, the City Auditor's Office and the City Attorney's Office) to be fair and transparent. Key steps included:

- Strict adherence to the City's procurement process;

- Adherence to Council Policy 0-35, Procurement and Contract Process Integrity and Conflict of Interest;
- Significant and ongoing review by the Finance Department, City Attorney's Office, and City Auditor's Office;
- Providing maximum flexibility for different operating models to submit proposals to increase open competition; and
- Selection of an evaluation committee representing broad community and key stakeholder interests, as well as appropriate professional expertise.

Based on these measures, staff is confident the process was fair while encouraging vigorous competition. This has been the most rigorous RFP process the Airport has ever developed. As noted in staff's supplemental memo of May 28, of the six companies that participated in the RFP process and of the three companies not recommended for award, only one has asserted the process was not fair. This provides a good sense of how fair nearly all of participating companies viewed the process.

From the standpoint of results, staff's recommended proposal packages achieve all of the Council's goals and objectives. Major achievements include:

- Increased revenue potential – from \$3.7 million in annual revenue today to \$8.2 million a year in minimum guaranteed revenue;
- Significant private capital investment in the Airport, with clear commitment to reinvest for improvements during the course of the contracts;
- Increased local concepts and products – from five existing local businesses to twenty-three in the recommended packages;
- Significant public input – 34 public meetings with over 900 attendees, resulting in 700 informed businesses kept up to date through emails and web site updates;
- A stronger commitment to customer service; and
- Competitive pricing for the customer.

These achievements are the results of a fair, transparent and competitive process to ensure a high-quality experience for the traveling public at the Airport.

**2. How was Council Policy 0-35 implemented in this RFP process?**

In accordance with Council Policy 0-35, staff provided an opportunity for all potential proposers to raise any issues regarding the structure of the process, followed the strict communication protocol, answered, in writing, nearly 240 individual questions received from proposers after the RFP was issued, and evaluation committee members had to complete Conflict of Interest questionnaires and sign confidentiality agreements. The City Attorney's Office provided legal guidance throughout the solicitation process and the City Auditor's Office reviewed significant parts of the process.

**3. PGC states that at least two members of the Evaluation Committee were "biased" and/or "purposely drove down" the scores for PGC. What is staff's response to these charges?**

PGC claims that Evaluation Committee member Phaedra Ellis-Lamkins, of the South Bay Labor Council, told PGC representatives that "she was going to support a Host/Mariott [sic] proposal because she has a union relationship with Host/Mariott." Ms. Ellis-Lamkins, denies making such a statement. As staff noted in its May 28 response to PGC's appeal, if the City were to remove the evaluation scores of Ms. Ellis-Lamkins, *the ranking of the proposals would not be changed and PGC would still have had the lowest scores.* This fact strongly challenges PGC's assertion that Ms. Ellis-Lamkins' scores were biased or in some way out of the range of the other evaluators.

There is no evidence that Ms. Ellis-Lamkins exerted any influence over other Evaluation Committee members in any manner. For the PGC charge to be credible, one has to believe the other eight members of the Evaluation Committee were not capable of exercising independent judgment. Given the membership of the Committee and their expertise, we simply do not believe that is a credible assumption. All nine members of the Evaluation Committee were selected because they are very knowledgeable and capable of providing independent assessments.

The other Evaluation Committee member that PGC calls into question is Amy Shaw. PGC claims that the inclusion of Ms. Shaw, Manager for Aviation Commercial Business at Seattle-Tacoma International Airport, on the Evaluation Committee was improper because she had written a letter of reference dated November 17, 2006 for Hudson, one of the partners in AMS-SJC joint venture, that was included in the material available to the Evaluation Committee (see Attachment A). This generic letter, addressed "To Whom It May Concern," was dated nearly a year prior to her invitation and acceptance to serve on the evaluation committee.

As staff noted in its May 28 supplemental memo, the City Attorney's Office concluded that the submission of the reference letter does not constitute a conflict of interest or a violation of Council Policy 0-35, titled "Procurement Process Integrity and Conflict of Interest." For the PGC charge to have credibility, one would have to assume that Ms. Shaw was incapable of reviewing the proposals and presentations of all the proposers and

providing the City with her best recommendation. In fact, Ms. Shaw did not give the AMS-SJC proposals the highest score on either retail package. Given the aforementioned facts, there is no indication that Ms. Shaw did anything other than carry out her responsibilities with the professionalism expected of her.

Finally, as further proof that Ms. Ellis-Lamkins and Ms. Shaw had no undue influence over the Evaluation Committee or drove down the scores PGC received, even if *both of their scores* were removed from the overall evaluation, PGC still would have the lowest overall scores.

For the record, staff would like to extend our appreciation to Ms. Ellis-Lamkins, Ms. Shaw and all the evaluation panelists for their willingness to participate in this extensive and time consuming effort. The participation of external evaluators knowledgeable in the field and independent of City staff is a critical element of the City's proposal evaluation process, and we sincerely value the expertise and integrity all the panelists contributed to making this a fair and transparent evaluation process.

- 4. PGC's appeals says that Walter Rossmann, Chief Purchasing Officer, who drafted the staff's response to PGC's April 28 protest letter, was responsible for appointing the Evaluation Committee. Is that true? What role did Mr. Rossmann play in appointing the Evaluation Committee? What role did Mr. Rossmann play in the overall RFP process?**

No, Mr. Rossmann, the City's Chief Purchasing Officer, had no role whatsoever in the appointment of the Evaluation Committee. The Evaluation Committee was selected by Aviation Director Bill Sherry. Diverse committee members were selected to ensure appropriate representation of professional expertise and familiarity with the Airport's concession business and with the community.

While the Airport was responsible for implementing the RFP process, as Chief Purchasing Officer, Mr. Rossmann's role is primarily focused on ensuring the RFP process was designed to be fair and transparent and is otherwise implemented consistent with applicable City policies, such as Council Policy 0-35, Procurement and Contracting Process Integrity and Conflict of Interest. Since this RFP was deemed to be a high profile and complex RFP, as defined in the online RFP Manual, in accordance with the manual, the Chief Purchasing Officer is also responsible for reviewing and responding to any objections to the structure and content of the RFP (which occurs prior to receipt of proposals) and protests raised by proposers (which occurs after the City evaluated proposals and issued a "Notice of Intended Award"). However, Mr. Rossmann did not appoint the Evaluation Committee, nor did he serve on the Evaluation Committee or otherwise participate directly in the assessment or scoring of submitted proposals and presentations.

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**5. What process was used to review the protest letter?**

After a careful review of the issues raised in PGC's protest letter and after a meeting with representatives from PGC, the Chief Purchasing Officer issued a response letter and upheld the award recommendation. In this letter, PGC was advised of their ability to appeal the Chief Purchasing Officer's decision to the City Council.

**6. Was the process "corrupted" by decisions made by the Evaluation Committee beforehand?**

No, the process was not corrupted. Beyond, PGC's assertion, there is no reason or evidence to conclude the Evaluation Committee had any predetermined positions prior to coming together as a committee. Specifically, the Evaluation Committee independently scored the written proposals and arrived at the ranking as published. Further, all indications are that the Evaluation Committee took seriously its responsibility to conduct a fair evaluation process.

**7. Why were PGC's financial scores lower than other proposers despite offering the highest Minimum Annual Guarantee (MAG) and a higher level of investment per square foot?**

As staff points out in its May 28 response, the financial condition and guarantee of revenue for the Airport was weighted at 250 points out of a total of 1,000 possible points for the written proposal. That means that the other 75% of the evaluation was based on other criteria, including customer service, tenant mix, and experience and expertise.

Even within the financial section there were four sub-categories: 1) minimum annual guarantee (MAG); 2) total annual percentage fee; 3) sales projections and financials; and 4) financial capacity and references. In effect, the MAG was worth only 60% of the total financial category and only 15% of the total overall score.

As staff also noted in its May 28 response, PGC had the highest proposed MAG in Package 1 and tied for the highest in Package 2. While the Evaluation Committee gave PGC's financial proposal the highest possible score for the proposed MAG sub-category (150 points), PGC received a lower score for the entire financial proposal for the following reasons: lower annual sales projections, lower historical sales and lower net equity than competing proposals; and inconsistencies between various types of financial information provided. Additionally, during the oral interview, PGC representatives stated that they did not expect to break even on this contract until 2015, which would be during the seventh year of the contract.

The RFP required a high level of finish and minimum investment per square foot. All proposers proposed capital investment in excess of the Airport's requirements. The amount of proposed capital investment was just one of five sub-components of the

Design & Proposed Capital Investment evaluation criteria and was valued at 20 points out of the 1,000 possible total points for the written proposal.

**8. Why were PGC's tenant concepts scored so low?**

PGC's concepts were scored according to the evaluation criteria outlined in the RFP. PGC's concepts received lower scores on its concepts because the Evaluation Committee concluded they were not as good a fit for the Airport as the concepts in other proposal packages. Each member of the nine-member Evaluation Committee relied on their experience and expertise to evaluate all of the proposals. While each of the nine Committee members applied the RFP criteria from their different backgrounds, perspectives and expertise to evaluate the thirteen individual proposals, their collective judgment was that PGC's concepts were the least competitive.

**9. Why didn't the evaluation Committee visit the stores of the proposers?**

The RFP process allowed any party interested in the RFP to object to the structure and content of the RFP *prior* to submitting proposals. If PGC found that site visits would have been an appropriate step in the evaluation process, PGC had the opportunity to submit that input prior to the deadline for objections. (PGC chose to object to other parts of the evaluation process.) It is inappropriate to question the evaluation process after the City issued a Notice of Intent to Award.

**10. Why shouldn't PGC get a reimbursement of the \$250,000 it expended to submit its RFP proposal?**

There is no basis for reimbursing PGC for its expenditures. PGC alleges the process was "corrupt" and "fraudulent" and therefore it should be reimbursed the \$250,000 it says it expended to submit a proposal. However, there was no corruption or fraud in the process. In addition, the RFP clearly states that the City shall not be responsible in any manner for the costs associated with the submission of proposals.

**11. Shouldn't PGC get some kind of local business preference, or additional points for local experience at SJC?**

No. Under applicable federal law, the City was prohibited from giving preference to any local business, including and especially, the awarding of additional points in the evaluation process. Despite this restriction, the number of local concepts in the recommended new concessions will rise from the current five to twenty three. All proposers were responsive to achieving community expectations for local business opportunities at the airport, regardless of their local experience.

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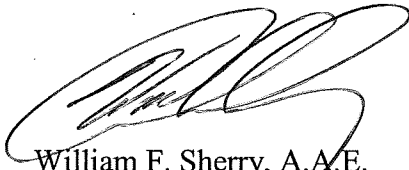
**12. What was the diversity mix of the evaluation committee?**

In appointing the Evaluation Committee, staff primarily focused on diversity of perspectives needed to thoroughly and fairly evaluate the proposals with professional and community competence. It contained perspectives from small business, labor, disadvantaged businesses, the airlines, the airport industry, the tourist and hospitality industry, customer service, finance, and the community.

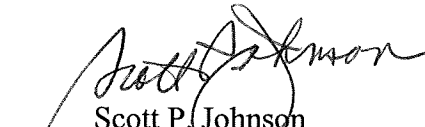
However, while it there appeared was ethnic diversity among Evaluation Committee members (no confirming data was requested), the Committee was recruited on the basis of their expertise and knowledge rather than their cultural and ethnic diversity.

**13. How has the media reported on the recommendations?**

The media reporting has been largely positive. See Attachment B.



William F. Sherry, A.A.E.  
Director of Aviation



Scott P. Johnson  
Director of Finance

For more information or answers to questions, please contact Patrick McCue, Program Manager, at (408) 501-7600.

Attachments:

A: Amy Shaw Letter of November 17, 2006

B: Local media coverage of Airport concession process and results



November 17, 2006

To Whom It May Concern:

Please accept this correspondence as a letter of recommendation for

***Airport Management Services LLC dba Hudson Group***

*Airport Management Services LLC dba Hudson Group* (Hudson) successfully operates fifteen newsstands, two newsstand/coffee shops, three bookstores, three specialty shops and one unit which successfully incorporates three concepts – newsstand, bookstore and Radio Shack.

Hudson began its operations at Seattle-Tacoma International Airport on April 1, 2004 with the award of four newsstands on a newly constructed Concourse A. Hudson took over operations on the other units throughout the airport when the Master Agreement with HMS Host expired on December 31, 2004.

During the design/construction of both the new and renovated units, Hudson spared no expense in creating first-class units through the use of unique designs and quality material. They successfully incorporated a "sense of place" for the Pacific Northwest theme in their storefronts and interior space.

Throughout this period of operation, Hudson's corporate and local staff has consistently exhibited reliability, professionalism, and the commitment necessary for successful airport operations. Hudson's units are always well-stocked and clean. Hudson's staff is well-trained, consistently provides excellent customer services, and is responsive to the needs and wants of the traveling public as well as the airport.

We are extremely pleased with the quality of service, management ability and store operations provided by Hudson. Please do not hesitate to contact us if you would like additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Amy Shaw".

Amy Shaw  
Manager, Aviation Commercial Business

A handwritten signature in cursive script, appearing to read "Elaine Lincoln".

Elaine Lincoln  
Concession Manager  
206-433-4606

Seattle-Tacoma  
International Airport  
P.O. Box 68727  
Seattle, WA 98168 U.S.A.  
TELEX 703433  
FAX (206) 431-5912



## Recent News Media Coverage of SJC Food & Beverage and Retail Concessions Program

1. *"Fighting Your Battles: Airport Concessions Meet with Local Success"*  
**The Chamber Advocate**, May 2008, published by San Jose/Silicon Valley Chamber of Commerce. Personal column by President & CEO Pat Dando
2. *"Offering Taste of the Valley at its Airport"*  
**Silicon Valley.San Jose Business Journal**, Friday, May 9, 2008  
Editorial
3. *"Airport Vendors Picked for Valley Feel"*  
**San Jose Mercury News**, May 2, 2008  
News article
4. *"Imagine a vibrant Airport that isn't 'Anywhere U.S.A.'"*  
**San Jose Mercury News**, April 14, 2008  
Editorial
5. *"Valley Eateries Make Cut at Revamped S.J. Airport"*  
**San Jose Mercury News**, April 11, 2008  
News article
6. *"San Jose Businesses To Expand To Airport – Airport Wants To Give Travelers A Taste Of SJ"*  
**KNTV Channel 11 News**, May 13, 2008

from the desk of

**PAT DANDO**

President & CEO



## Fighting your battles: airport concessions met with local success

One of the values the San Jose Silicon Valley Chamber of Commerce offers is to represent businesses in the valley and help fight their battles.

Last year, we were approached by several small businesses expressing concerns over the process surrounding the Request for Proposals (RFP) for new concessions at Norman Y. Mineta San José International Airport. They worried that the "master concession" arrangement would make it impossible for them to have a shot at vying for truly "local" flavor when the airport opens its new and refurbished terminals over the next two years. The Chamber also believed that a good local business presence at the airport would go a long way toward helping brand our city with an identity all its own.

With nearly a thousand interested local suitors and only about 40 slots available for all restaurant and retail concessions, we knew it would be a challenge. We worked with the airport to organize meetings in an effort to educate local businesses on how to maneuver through the city's RFP process and provide a venue in which to ask questions and voice their concerns with decision makers.

I must say that although airport staff and several city councilmembers assured me that their intention was to see a healthy local business participation in airport concessions, I originally had my doubts that the end result would actually produce very many opportunities.

The Chamber realized that the city and the airport would need to strike a balance between local flavor and the standards that airport travelers come to expect wherever they go. We also felt it vital to San Jose and Silicon Valley that this balance include signature venues that visitors would not be able to experience at any other airport.

For example, you know you've arrived in Austin because of the barbeque. You know you've landed in Boston because of the clam chowder. You know you've touched down in Nashville when you hear country music. Yet, when you land in San Jose right now, you could be just about anywhere because there isn't really anything unique that stands out that says you're in Silicon Valley. I'm pleased to say this is all about to change.

Because we reached out and stayed intimately involved with local businesses and worked with the airport throughout the process, a promising

mix of local, regional, national and international concessions has been proposed and is scheduled for City Council consideration on June 3. The most encouraging part of the recommended mix is it includes local restaurants and shops that will announce to travelers stepping off their planes that they are in San José.

Earlier concerns that the Chamber and the business community may have had with regard to the RFP process have been replaced with renewed excitement and confidence. I believe the Silicon Valley community will be as pleased as I am when they visit the new airport and find local products, local foods and familiar faces. The final list still is subject to some minor adjustments to ensure the right mix that's good for both passengers and businesses, but here's a sample of what the line-up now includes:

C J Olsen Cherries, a Santa Clara Valley company since 1899; Hicklebee's Children's Books, a Willow Glen company for 30 years; Schurra's Fine Confections, a San Jose tradition since 1912; Paolo's, serving Mediterranean fare since 1958; Le Boulanger, baked goods since 1981; Britannia Arms, San Jose's British pub & sports bar; San Jose Rocks, a hamburger bar and museum celebrating Bay Area rock-n-roll legends; Gordon Biersch, a San Jose brewery since 1988; Chiaramonte's Deli, San Jose's oldest Italian deli since 1915; Discover San Jose, an eclectic blend of memorabilia from local museums; Mojo Burger, known in San Jose for using natural products; Sonoma Chicken Coop, affordable gourmet fast food; Willow Street Pizza, a local restaurant since 1991; and The Sharks Cage restaurant and bar, dedicated to our hometown NHL team.

This is a great success, a huge step in recognizing the local character that San Jose has to offer when visitors come to our great city. By providing a "taste" of Silicon Valley flavor, we will be enticing them to stay a while—eat in our restaurants, visit our museums, experience our nightlife, relax in our hotels, and head home with plans to return.

The airport and city policy makers are to be commended for creating a win-win for everyone—pride for those of us who live here and unique experiences for those just passing through.

Now I'm really looking forward to the opening of the new airport!

Friday, May 9, 2008

## **Offering taste of the valley at its airport**

Silicon Valley / San Jose Business Journal

A newly renovated international airport with modern terminals and amenities is coming to Silicon Valley beginning next year.

So now is the right time to make sure that travelers flying into the region think first of Mineta San Jose International Airport.

It's important, as well, to make sure that when they do pass through SJC, they know where they are -- in the "Capitol of Silicon Valley."

When passengers emerge through the ticketing and security areas of the new terminals, their first impression of what the valley has to offer will be shaped by the spacious concourse shaped like a white, curvy structure that is meant to resemble canvases fluttering in the breeze. Travelers will walk through the curved, glass-roofed area that houses dozens of food and retail concessions.

Depending on negotiations to be completed in the next few weeks, these travelers may be able to sample the wines from members of the Santa Cruz Mountain Winegrowers Association. They could nosh on delectables from outposts of popular Silicon Valley dining, including Mediterranean fare from Paolo's, Mexican food from Una Mas and Consuelo's, pub fare from Gordon Beirsch and The Brit (run by the owners of downtown San Jose's Britannia Arms.)

Even the former owners of Lou's Village are going to be there, honoring San Jose's musical history with San Jose Rocks -- described as a local version of the Hard Rock Café.

Chocolates from Schurra's and fruit from CJ Olson Cherries will be offered.

A Hispanic Chamber of Commerce Enterprise Store with goods from chamber members is being discussed, as well.

Another store will have samplings of the memorabilia and souvenirs of Silicon Valley's rich variety of museums, craft houses and cultural attractions.

SILICON VALLEY / SAN JOSE

# Business Journal

Done right, travelers will know that they have been to a region with much more to offer than if they had gone through Oakland or SFO when coming to the valley.

Until now, one of the most memorable parts of a trip through SJC has been the retro-style walk to and from the plane on the Mineta San Jose tarmac.

Instead of feeling like a flight to San Jose is a step back in time, the new airport will reflect Silicon Valley's modernity and rich culture. We also need to make certain that all of the marketing emphasizes that the airport is in the heart of the valley, not just in San Jose.

And there is no better time to do that than when the new terminals, concessions and vendors are in place.

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## Airport vendors picked for valley feel

**GOAL: PROVIDING 'A SENSE OF PLACE'**

**By Deborah Lohse**

**Mercury News**

**Article Launched: 05/02/2008 01:34:58 AM PDT**

Cherries from C.J. Olson. Books from Hicklebee's. Chocolates from Schurra's. And assorted art, pharmaceuticals or Spanish-language reading material from Hispanic Chamber of Commerce Silicon Valley members.

All that and Starbucks to boot. Those are some of the businesses travelers can expect starting as early as late 2009 at Mineta San Jose International Airport, officials revealed Thursday.

A total of 37 merchants and vendors - most of them from San Jose or elsewhere in Silicon Valley - were part of winning packages tentatively chosen by a nine-member selection committee and Airport Director Bill Sherry to sell books, sweets, food and drink to San Jose travelers. Although some restaurant names had emerged last month, the full list was not revealed until now because city and airport officials were responding to a losing bidder's protest over alleged unfairness and conflicts of interest in the selection process.

Sherry, who denied the protester's allegations, called the resulting crop of stores and restaurants, "a huge success," noting that the merchants will collectively generate at least \$8.2 million a year for the airport, more than double what it has been getting from its vendors.

And he said passengers who want either recognizable national brands like Sunglass Hut or Starbucks will be happy, as will those hoping to sample local food and wares.

"The city council has advocated for a very long time that they want this new airport to represent San Jose and Silicon Valley, that they want passengers to feel a sense of place," Sherry said.

The losing bidder who protested, Javier Vega of Pacific Gateway Concessions, had complained that one of the nine members of the selection committee, South Bay Labor Council Executive Officer Phaedra Ellis-Lamkins, had told him in advance of the bidding process that she would favor one of the bidders that ultimately won, Host International, because "she has a union relationship with them." On Thursday, Lamkins denied saying that and said that it was moot because every bidder, including Vega, signed agreements with the unions.

Vega also alleged that another selection committee member from Seattle's airport, Amy Shaw, had given a letter of reference for Hudson News, which won one of the four contract packages. But Sherry and others said the letter was not a conflict because it was a generic reference letter that predated her being invited to sit on San Jose's selection committee.

The list is likely to be changed slightly, airport officials said, to avoid duplications, such as having two hamburger restaurants near each other. It also must be approved by the San Jose City Council, probably at its June 3 meeting, and will go before the airport commission for review and comment at its May 12 meeting.

"All those concessionaires came up with very creative packages, and the mix of local and national brands, I think people are going to be really excited," Airport Commission Chairwoman Catherine Tompkinson-Graham said.

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Contact Deborah Lohse at [dlohse@mercurynews.com](mailto:dlohse@mercurynews.com) or (408) 295-3983.

**Editorial:**

**Imagine a vibrant airport that isn't 'Anywhere U.S.A.'**

**Mercury News Editorial**

**Article Launched: 04/14/2008 01:35:48 AM PDT**

Walk off the ramp into Austin's airport, and you know where you are. The music scene, the barbecue, the Texas this and that tempered with some tech - you're awash in Lone Star spirit before you even get your luggage.

Dare we hope it could be the same in San Jose's new airport? So it appears.

Airport managers apparently were serious about wanting local contractors to handle concessions at the new terminal. The locals seem to have made just about a clean sweep, from a San Jose Rocks cafe featuring local musicians to sausages from the 100-year old Chiaramonte's Deli & Sausage. And, of course, a smattering of Sharks.

This combined with the arts collaborative 1st ACT's aim to have some signature work at the new terminal, and we just might have a there there.

Yeeee-ha. Or the Silicon Valley equivalent.

## **Valley eateries make cut at revamped S.J. airport**

**By Deborah Lohse**

**Mercury News**

**Article Launched: 04/11/2008 01:30:46 AM PDT**

A San Jose Sharks-theme bar and restaurant. Sausages grilled fresh from San Jose's 100-year-old Chiaramonte's Deli & Sausage. A home-grown answer to the Hard Rock Cafe - San Jose Rocks.

Despite fears that local companies might get shunted aside in the expansion of San Jose's airport, it appears plenty of local restaurants are preliminary winners feed hungry travelers.

"The airport was pretty adamant that they wanted some real local flavor," said Lou Chiaramonte, the fourth-generation owner of the 13th Street fixture.

A nine-member selection committee and Airport Director Bill Sherry last week named the three contractors they want to install and oversee about 40 new food and retail stores throughout the new Terminal B and the revamped Terminal A, starting late next year. The city council is expected to vote on the matter as early as mid-May.

Airport officials have said they don't want to disclose the actual stores and restaurants in the packages until the losing bidders have a chance to appeal - which should take about two weeks. But based on interviews with various restaurateurs who acknowledged being part of the winning bids, it seems airport officials really meant it when they said they wanted a local showing.

Among the restaurants included, participants said, are: San Jose's Britannia Arms, Mojo Burger and Sonoma Chicken Coop; Willow Glen-based Willow Street pizza; downtown's venerable Paolo's Restaurant; and San Jose Rocks, a new concept by the Muller brothers who brought you Lou's Village. (Think local musicians featured in a Hard Rock Cafe-type theme restaurant.)

"It's going to be a fun place, a bar and restaurant," said Tom Muller.

There will also be a Sharks-theme eatery, team CEO Greg Jamison confirmed. There's a rumor it might be named The Sharks Cage and feature a bar that looks like ice, but Jamison only chuckled and said such details have not been decided. "We should have good quality food" is all he'd cop to.

Other Bay Area-based restaurants that are expected to be at the airport include Consuelo Mexican Bistro, founded by San Francisco restaurateur Eduardo Rallo; Emeryville's Peet's Coffee; and Sunnyvale-based LeBoulanger.



Rallo said the airport restaurant will be similar to his Consuelo Mexican Bistro at Santana Row, but with more on-the-run options. "Molé is a very difficult thing to eat on the go," he said, referring to one of his top sellers.

While its corporate headquarters is now in Chattanooga, Tenn, the Bay Area-launched Gordon Biersch will retain a presence at the airport as part of Host International's winning package. Dan Gordon, co-founder, said the new space will be a full-service bar and restaurant - not just a bar like the current venue in Terminal A. That storefront eventually will be replaced, along with other current offerings like Starbucks and California Pizza Kitchen.

"We'll have Southwest chicken sandwiches, burgers and garlic fries, and Southwest egg rolls," said Gordon, whose company's brewery is still in San Jose. "It's going to be amazing."

Gordon said his company will license its name to Maryland-based Host International - one of three contractors chosen - and train Host's cooks and bartenders, complete with a beer tasting at the Taylor Street brewery. The other selected contractors are Areas USA, a subsidiary of a Spanish company; and AMS-SJC JV, a joint venture between the airport and New Jersey-based airport retailing giant Hudson Group.

It's not yet clear which retail stores are included in the winning bids or which restaurants or stores will be available to people who haven't passed through security. Bidders were required to include some restaurants before security in Terminal A, but only retail stores before security in the future Terminal B, said airport spokesman David Vossbrink.

That might not be good news for folks hoping to quaff a beer while waiting to pick up Grandma at the new terminal. But vendors say there's no money in selling food before security - especially these days. "That's the kiss of death," Muller said. "With security lines being the way they are, anything before security is considered terrible."

As for Terminal C, the current Burger King, Starbucks and retail stores will remain there until that aging terminal is torn down, probably in a couple of years, Vossbrink said.

For some local businesses, the airport will be their first expansion. "I'm thrilled," said Chiaramonte, whose great-grandfather founded the family business in 1908.

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Contact Deborah Lohse at [dlohse@mercurynews.com](mailto:dlohse@mercurynews.com) or (408) 295-3983.

#### **SETTING THE RECORD STRAIGHT** (publ. 04/14/08)

*An article about new restaurant concessions planned for Mineta San Jose International Airport misstated where the parent company of bidder Areas USA is based. The company is headquartered in Barcelona, Spain.*



## **San Jose Businesses To Expand To Airport**

*Airport Wants To Give Travelers A Taste Of SJ*

POSTED: 12:48 pm PDT May 13, 2008

UPDATED: 3:58 pm PDT May 13, 2008

**SAN JOSE, Calif. --**

***By NBC11's Daniel Garza***

Salvatore Chiaramonte opened a delicatessen on North 13th Street in San Jose five years after the Wright brothers made aviation history.

The great-grandson of the Sicilian immigrant is ready to make local aviation history (sort of ) as Chiaramonte's Deli expands to Mineta San Jose International Airport.

"We're feeling pretty good about that. We want to make our presence known," said Lou Chiaramonte.

Chiaramonte's Deli, founded in 1908, is among three-dozen new concessions that will set up shop at the airport's new Terminal B (under construction) and Terminal A, which is undergoing a major facelift.

Fifteen of the businesses have local roots, something the city council was looking for in order to give the airport visitors a taste of San Jose.

On June 3, the city council will vote on whether to approve the merchants that have gotten the green light from city staff.

The airport concession bidding process has not been without controversy. One of the losing bidders has protested what it calls unfairness and conflicts of interest in the process.

Nevertheless, the San Jose Airport Commission recommended last night that the city council approve the list of merchants and vendors.

Schurra's Fine Confections is another local business that aims to give airline passengers a taste of San Jose.

Schurra's (pronounced sure-RAY) has been in the business of producing handmade candies, chocolates, truffles, peanut brittle and English toffee since 1912.

The Mundy family bought the store in 1983, which has been an institution on The Alameda ever since brothers Albert and Justin Schurra started the business.

Storeowner Brian Mundy hopes to bring a boutique feel to its airport concession that will distinguish Schurra's from mass producers.

"We still keep it small and keep the quality high," Mundy said. "We use only top quality ingredients and there's a lot of handiwork that still goes into our products."



For parents looking to keep their children entertained on long flights, or looking for last minute gifts, Hicklbee's Children's Book Emporium could provide some options.

Hicklbee's is the only children's bookstore in San Jose and the owner wants to create the same atmosphere at the airport store that her Willow Glen store is so famous for, including doors autographed by celebrity authors.

"We are thrilled. I think it's going to be fun," said Hicklbee's owner Valerie Lewis. "I think it's going to be more than your standard retail store."

Airport officials said negotiations with the three firms providing the concessions should be completed by mid-summer.

The 12-year contracts with the companies are expected to generate at least \$8 million in revenue over the life of the agreements, said airport spokesman David Vossbrink.

## Complete List Of Stores

### Proposed Concepts by Package

Upon Council approval of the final ranking, the Director of Aviation will enter into negotiations with the top-ranked proposer for each package to develop a concession agreement to resolve adjacency issues in order to serve customers better to adjust placements as they relate to the details contained in the other package proposals. Although this preliminary list of businesses is subject to adjustment, the majority of concepts within the packages will remain intact. Each package contains locations in both terminals.

#### Package 1 – Retail

Host International, Inc., with a minimum annual concession fee guarantee to the City of \$1,620,000.

- CJ Olson Cherries – A Santa Clara Valley company since 1899 featuring assortments of fresh cherries, dried fruits, nuts, jams, gift baskets and more.
- Hispanic Chamber of Commerce Enterprise Store – In conjunction with the Silicon Valley Hispanic Chamber of Commerce, Host will fund the build out of and provide mentoring for a store that will be made available to Hispanic Chamber members and other local small business to develop, experiment with and grow their businesses.
- Hicklbee's Children's Book Emporium – A Willow Glen company for almost 30 years offering a wide selection of children's books.
- Schurra's Fine Confections – A San José company in business since 1912 producing hand made candies, chocolates, chocolate molds, peanut brittle and English toffee.
- Pacific Outfitters – Owned and operated by a local DBE offering luggage, travel gear and accessories with a mind toward value conscious consumers.
- Sunglass Icon – A national retailer offering a wide range of sunglasses.
- Techshowcase – A DBE firm offering branded high tech products and accessories from BlackBerry, Sony, Nokia and more.
- Sunset News – A newsstand inspired by and licensed through Sunset Magazine.
- Brookstone – A national retailer known for its unique gadgets and gear.



#### **Package 2 – Retail**

AMS-SJC JV, with a minimum annual concession fee guarantee to the City of \$2,000,000.

- Hudson News – A proprietary national newsstand brand providing convenient news and gift items.
- CNN Newsstand – CNN themed newsstand with live news feeds in a newsroom atmosphere.
- Hudson Booksellers – A bookstore that offers book titles as well as related accessories and merchandise.
- Life is Good – A national concept that provides casual but quality products including flip flops, t-shirts, hats, beach towels, jewelry bags and more.
- Discover San Jose – An eclectic blend of souvenirs and memorabilia from museums, kitchens, craft houses and cultural attractions of the San Jose area.
- Ed Hardy – A relatively new but very popular retail store offering high end t-shirts, sweatshirts, shoes, jackets, caps, accessories and jewelry.
- Sunglass Hut – Over 1,900 locations around the world that provide a wide range of sunglasses.

#### **Package 3 – Food and Beverage**

Areas USA SJC, LLC, with a minimum annual concession fee guarantee to the City of \$1,726,200.

- Paulo's – A local restaurant since 1958 and has sublease agreement with Areas to operate an airport location. They will offer a moderately priced menu with the same high quality Mediterranean fare.
- Willow Street Pizza – A local restaurant that opened in 1991 with locations in Los Gatos, Willow Glen and Westgate that will serve a mix of pizzas, sandwiches, pasta and salads.
- The Brit – This bar would follow the same British pub/sports bar and restaurant theme as the downtown San José Britannia Arms location.
- Consuelo's - Consuelo's Mexican Bistro is a local concept located in Santana Row and will feature dishes that celebrate flavors of Mexico.
- Le Boulanger – Le Boulanger started in 1981 in Los Altos. Areas will operate under a license agreement this bay area bakery concept in the North Concourse that offers sandwiches, breads, breakfast pastries and deserts.
- Illy – An international brand Italian style coffee shop serving coffee, specialty sandwiches and pastries. The location would be operated by Areas under a franchise agreement.
- Sora's- A Japanese and Sushi themed restaurant and will be operated by Areas under a license agreement.
- San Jose Rocks – A new concept that will be a history of San José rock and roll themed hamburger bar and museum highlighting performers that called San José and the Silicon Valley home.
- Peet's Coffee – Peet's Coffee started in Berkley in 1966 and has grown to be a national brand with their roasting facility located in Emeryville.

#### **Package 4 – Food and Beverage**

Host International, Inc., with a minimum annual concession fee guarantee to the City of \$2,860,000.

- Santa Cruz Wine Bar –A concept that was created with assistance of the Santa Cruz Mountains Wine growers Association. This full service wine bar and casual dining restaurant will specialize in wines from the Santa Cruz Mountains region.
- Brioche Doree Cafe – Brioche Doree Café is a French country café concept that will sell European style pastries, coffee, tea, sandwiches and salads.
- Sushi Boat – A local business with four locations in the San José Area serving sushi and Japanese cuisine.
- Starbucks –A popular coffee concept with an international footprint.
- Una Más – The first Una Más opened in 1991 in San José and has grown to 20 locations. This popular concept offers innovative, heart healthy, quick Mexican food.



- Harbor Express – Serves healthy and affordable Chinese food with an existing presence at the Airport.
- Mojo Burger –A local fast casual hamburger concept focusing on natural products. Started and still managed by a husband and wife team with two locations in San Jose.
- Cold Stone Creamery – An ice cream concept that features ice cream mixed with ingredients chosen by the customer.
- Gordon Biersch – Established in 1988 and now with twenty four locations. Beer is still brewed onsite at its San José location. Gordon Biersch is an established and successful concept at the Airport.
- Chiaramonte's Deli – San José's oldest Italian deli dating back to 1915. The original shop on 13th street sells hand-made Italian style sausages, hot sandwiches and traditional dishes.
- Sonoma Chicken Coop – Sonoma Chicken Coop has three locations in the San José area including downtown, Almaden and Campbell. They offer inexpensive quality gourmet fast casual food.
- Shark's Cage – A San José Sharks themed restaurant and bar will pay homage to the home town NHL team. This full service restaurant and bar will offer large screen televisions highlighting sports events and the décor will be patterned after a hockey rink with a one-of-a-kind sports theme.